

TVIC

Tennessee Valley Industrial Committee

**Statement of Edward S. Bredniak, CEO
CC Metals & Alloys, Calvert City, Kentucky
Immediate Past Chairman, Tennessee Valley Industrial Committee
TVA Board Hearing on Transmission Access
Hopkinsville, Kentucky
May 18, 2006**

Mr. Chairman and members of the board, I appreciate the opportunity to be here today. As noted, I am Ed Bredniak, and I serve as CEO of CC Metals & Alloys. Our manufacturing operation is based in Calvert City, Kentucky. CCMA is a leading supplier of high purity ferrosilicon to the North American steel industry, and we are a major producer and supplier of specialty ferroalloys to the global iron foundry industry. I am here today representing the Tennessee Valley Industrial Committee, which is made up of companies that purchase their electricity directly from TVA, as opposed to going through a distributor such as the Hopkinsville Electric System or the Warren Rural Electric Cooperative.

TVIC members are for the most part very large, energy-intensive operations involved in what might be termed the basic building blocks of the manufacturing sector. In addition to primary metals, our members produce chemicals of all kinds, paper and other forest products, and are involved in automotive products and assembly. We currently have 34 member companies

and approximately 50 manufacturing locations throughout the Tennessee Valley.

The direct-served customer segment has a large impact on the economy of the Valley, and on TVA itself. In addition to purchasing nearly 31 billion kilowatthours of electricity on an annual basis and providing almost \$1 billion in revenues to TVA, direct-served industries provide direct employment to approximately 29,000 Valley residents and indirect employment to an additional 73,000 individuals.

Our segment shares another characteristic: we are hyper-sensitive to the price of electricity, because such a great percentage of production cost for our companies is tied up in electricity. It is not uncommon for 25 to 50 percent or even more of total product cost to be the cost of electricity— and when prices are rising as rapidly as they are now, it is difficult if not impossible to pass along these increases to our customers.

On the transmission access issue on which the board has asked for comment today, I will be brief and I hope very straightforward. TVIC is in absolute support of the oath of office you took several weeks ago to provide electricity to customers at the lowest possible rates. We therefore oppose any set of circumstances that would in effect have our members and other customers of TVA subsidizing distributors who leave the system but want access to transmission without covering the costs of such transmission. It is

probably worth noting here that TVA, with funding by its customers, is one of the few utilities continuing to make major investments in additions and upgrades to its transmission system. This is extremely important to the industries and residents of the Tennessee Valley in terms of helping to assure reliability of the power system, and we support TVA's decision to remain strong with these investments despite regulatory uncertainty. Further, TVIC strongly supports TVA policy that gives TVA customers priority rights to the system that was built with customers' money and continues to be maintained with current customer funding. Non-customers obviously would not be contributing to that current construction and maintenance program and therefore should be granted access accordingly, only after the needs of current customers are met, and only in a way that does not shift costs to current customers.

We are not in a position to advise TVA on the specifics of resolving this issue, since it has many moving parts and political considerations. We are only in the position of advocating equitable treatment so that customers who stay in the system are not penalized financially or in access to transmission by those customers that leave. TVIC members are certainly not able to absorb additional costs in the face of two substantial rate increases within a year. And we will never be in position to absorb costs resulting from unfair advantages given to former customers.

We will appreciate being kept informed of TVA negotiations and progress in resolving this issue, especially on any preliminary agreement that may be reached that will have an impact on the direct-served customer class. Thank you again for inviting TVIC to be represented today.

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